Chemring
Innovating to protect

17 December 2024

CHEMRING GROUP PLC
("Chemring", "the Group" or "the Company")

RESULTS FOR THE YEAR ENDED 31 OCTOBER 2024
Robust performance across the Group; record order book; substantially increased demand

	As reported		*At 2023 exchange rates*		
	2024	***Change***	*2024*	*Change*	2023
Continuing operations					
Revenue (£m)	**510.4**	**+8%**	517.3	+9%	472.6
Underlying EBITDA* (£m)	**93.7**	**+6%**	94.8	+7%	88.5
Underlying operating profit* (£m)	**71.1**	**+3%**	71.7	+4%	69.2
Underlying profit before tax* (£m)	**66.3**	**-2%**	67.0	-1%	67.9
Underlying diluted earnings per share* (pence)	**19.3**	**-4%**	19.5	-3%	20.0
Statutory operating profit (£m)	**58.1**	**+28%**			45.4
Dividend per share (pence)	**7.8**	**+13%**			6.9
Net debt at 31 October (£m)	**52.8**	**+267%**	53.2	+269%	14.4
Order intake (£m)	**672.8**	**-11%**	682.2	-10%	756.4
Order book at 31 October (£m)	**1,037.8**	**+13%**	1,072.5	+16%	921.6

Key achievements

- 2024 was in line with the Board's initial expectations despite H1 headwinds
  - Revenue growth of 8%, driven by strong performance at Roke, up 17%, and growth in our specialist energetic materials businesses, up 12%, offset by a weaker period for Countermeasures
  - Underlying operating profit margin of 13.9% (2023: 14.6%) primarily reflecting the impact of operational challenges at our Tennessee countermeasures business in the period
  - Improved cash conversion of 102% (2023: 90%) with continued focus on working capital
- A record order book of £1,038m, the highest in Chemring's history, providing excellent medium-term revenue coverage
- Awarded c.£90m of grant funding to support capex investment to increase the capacity of our Norwegian site, amid unprecedented levels of demand for its products
- Investment in our Energetics capacity expansion plan increased from £120m to £200m, excluding grant funding
- Good progress made on capital projects to date, with c.£70m of capex spent in total during the period, and customers increasingly moving to long-term partnering agreements
- Net debt was £52.8m (2023: £14.4m), given c.£70m investment in capex and a further £28.1m on the share buyback. Net debt to underlying EBITDA of 0.56 times (2023: 0.16 times) below internal target of <1.5 times
- Proposed final dividend per share of 5.2p, up 13%, giving a total dividend of 7.8p (2.5 times cover)
- The Board's expectations for the Group's 2025 performance remains in line with market expectations, with a similar H2 weighting. Approximately 77% (2023: 79%) of expected 2025 revenue is already covered by the order book, with unprecedented cover in Countermeasures & Energetics for 2026 and 2027 at 81% and 52% respectively

Michael Ord, Group Chief Executive, commented:

"2024 was another year of positive performance for Chemring as we continued to see heightened activity and progress across the Group amidst growing demand for our products and services. Our teams delivered on expectations despite the operational headwinds that we experienced in the first half of the year. Changing customer spending priorities in the face of increased global uncertainty and competition have resulted in the order book being at its highest level in Chemring's history, giving us a strong and sustainable platform for future growth.

The outlook for global defence markets is increasingly robust, with strong growth expected over the next decade. This growing visibility gives us the confidence to continue to invest for the future, balancing near-term performance with longer-term growth and value creation. Chemring is well placed to deliver on its many opportunities and we maintain our ambition to increase the Group's annual revenue to c.£1bn by 2030."

Notes:
* All profit and earnings per share figures in this news release relate to underlying business performance (as defined below) from continuing operations unless otherwise stated.

The principal alternative performance measures ("APMs") presented are the underlying measures of earnings which exclude: exceptional items, gain or loss on the movement on the fair value of derivative financial instruments, the amortisation of acquired intangibles and the associated tax impact on these items. The Directors believe that these APMs assist with the comparability of information between reporting periods as well as reflect the key performance indicators used within the business to measure performance. The term underlying is not defined under IFRS and may not be comparable with similarly titled measures used by other companies.

A reconciliation of underlying measures to statutory measures is provided below:

Group – continuing operations:	**Underlying**	**Non-underlying**	**Statutory**
EBITDA (£m)	93.7	(11.0)	82.7
Operating profit (£m)	71.1	(13.0)	58.1
Profit before tax (£m)	66.3	(13.0)	53.3
Tax charge (£m)	(12.3)	1.7	(10.6)
Profit after tax (£m)	54.0	(11.3)	42.7
Basic earnings per share (pence)	19.8	(4.1)	15.7
Diluted earnings per share (pence)	19.3	(4.0)	15.3
Group – discontinued operations:			
Loss after tax (£m)	(1.3)	(1.9)	(3.2)
Segments – continuing operations:			
Sensors & Information EBITDA (£m)	47.3	(3.2)	44.1
Sensors & Information operating profit (£m)	41.4	(4.0)	37.4
Countermeasures & Energetics EBITDA (£m)	63.2	2.8	66.0
Countermeasures & Energetics operating profit (£m)	46.5	1.6	48.1

The adjustments comprise:

- amortisation of acquired intangibles of £2.0m (2023: £3.0m)
- costs relating to acquisitions, including deferred consideration treated as an expense under IFRS 2, of £3.4m (2023: £3.7m)
- costs relating to the defined benefit pension buy-in and buy-out transaction £7.5m (2023: £nil)
- costs relating to changes in senior management positions £1.2m (2023: £nil)
- impairment of Chemical Detection assets £nil (2023: £18.5m)
- release of legal and disposal provisions £3.1m (2023: £3.2m charge)
- loss on the movement in the fair value of derivative financial instruments of £2.0m (2023: £1.4m gain)
- tax impact of the adjustments above: £1.7m credit (2023: £3.8m credit)
- discontinued operations in respect of the Explosive Hazard Detection ("EHD") business in Sensors & Information, net of tax, credit of £4.5m (2023: £31.4m charge) which includes an impairment of goodwill and other assets; and
- an increase in disposal provision relating to a discontinued operation of £6.4m (2023: £nil).

Further details are provided in note 3.

EBITDA is defined as profit before interest, tax, depreciation and amortisation. Reference to constant currency relates to the re-translation of 2024 financial information at the 2023 exchange rates to reflect the movement excluding the impact of foreign exchange. The exchange rates applied are disclosed in note 11.

For further information:

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Cautionary statement

This announcement may contain forward-looking statements that are based on current expectations or beliefs, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as anticipate, target, expect, estimate, intend, plan, goal, believe, will, may, should, would, could, is confident, or other words of similar meaning. Undue reliance should not be placed on any such statements because they speak only as at the date of this document and, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and Chemring's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements. There are a number of factors which could cause actual results to differ materially from those expressed or implied in forward-looking statements. Among the factors that could cause actual results to differ materially from those described in the forward-looking statements are: increased competition, the loss of or damage to one or more key customer relationships, changes to customer ordering patterns, delays in obtaining customer approvals for engineering or price level changes, the failure of one or more key suppliers, the outcome of business or industry restructuring, the outcome of any litigation, changes in economic conditions, currency fluctuations, changes in interest and tax rates, changes in raw material or energy market prices, changes in laws, regulations or regulatory policies, developments in legal or public policy doctrines, technological developments, the failure to retain key management, or the key timing and success of future acquisition opportunities or major investment projects. Chemring undertakes no obligation to revise or update any forward-looking statement contained within this announcement, regardless of whether those statements are affected as a result of new information, future events or otherwise, save as required by law and regulations.

Notes to editors

- Chemring is a global business that specialises in the manufacture of high technology products and the provision of services to the aerospace, defence and security markets
- Employing approximately 2,700 people worldwide, and with production facilities in four countries, Chemring meets the needs of customers in more than fifty countries
- Chemring is organised under two strategic product segments: Sensors & Information and Countermeasures & Energetics

- Chemring has a diverse portfolio of products that deliver high reliability solutions to protect people, platforms, missions and information against constantly changing threats
- Operating in niche markets and with strong investment in research and development ("R&D"), Chemring has the agility to rapidly react to urgent customer needs

www.chemring.com

Analyst meeting
An analyst meeting will take place at 09.00 (UK time) on Tuesday 17 December 2024 at the offices of Investec Bank plc, 30 Gresham St, London EC2V 7QP. To confirm attendance please contact MHP: chemringplc@mhpgroup.com / 07817 458804

Presentation
The presentation slides and a live audio webcast of the presentation to analysts will be available at the Chemring Group results centre www.chemring.com/investors/results-centre at 09.00 (UK time) on Tuesday 17 December 2024.

Photography
Original high resolution photography is available to the media by contacting MHP : chemringplc@mhpgroup.com / 07817 458804

Group overview

We have continued to deliver against the Board's expectations, balancing short-term performance with long-term growth. Chemring continues to play a vital role supplying mission-critical products and services, as demonstrated by the highest order book in Chemring's history.

Order intake for 2024 remained strong at £673m (2023: £756m). Demand in our niche Energetics businesses continued, where order intake was £348m (2023: £358m). Sensors & Information total order intake was £150m (2023: £215m) where the prior year benefitted from multi-year awards.

Revenue was up 8% to £510.4m (2023: £472.6m) reflecting significant growth in Roke and improved operational execution delivering strong output in our niche Energetics businesses.

On a constant currency basis the Group's revenue was up 9% to £517.3m (2023: £472.6m), underlying operating profit was up 4% to £71.7m (2023: £69.2m) and underlying diluted earnings per share was down 3% to 19.5p (2023: 20.0p). Foreign exchange translation has proved to be a headwind to revenue and operating profit compared with last year. While exchange rates have been volatile in the year, the US dollar, Australian dollar and Norwegian krone have all weakened against sterling. A summary of the impact of the exchange rate movements on the key metrics at a Group and sector level is shown in the table below.

	At constant currency		*As reported*		
	2024 £m	***Change***	*2024 £m*	*Change*	2023 £m
Group:					
Order intake	**682.2**	**-10%**	*672.8*	*-11%*	*756.4*
Order book	**1,072.5**	**+16%**	*1,037.8*	*+13%*	*921.6*
Revenue	**517.3**	**+9%**	*510.4*	*+8%*	*472.6*
Underlying EBITDA	**94.8**	**+7%**	*93.7*	*+6%*	*88.5*
Underlying operating profit	**71.7**	**+4%**	*71.1*	*+3%*	*69.2*
Underlying diluted earnings per share (pence)	**19.5**	**-3%**	*19.3*	*-4%*	*20.0*
Sensors & Information:					
Order intake	**150.1**	**-30%**	*149.7*	*-31%*	*215.4*
Order book	**106.7**	**-37%**	*105.5*	*-38%*	*170.6*
Revenue	**212.8**	**+14%**	*212.0*	*+13%*	*187.0*
Underlying EBITDA	**47.4**	**+23%**	*47.3*	*+23%*	*38.5*
Underlying operating profit	**41.5**	**+21%**	*41.4*	*+21%*	*34.2*
Countermeasures & Energetics:					
Order intake	**532.1**	**-2%**	*523.1*	*-3%*	*541.0*
Order book	**965.8**	**+29%**	*932.3*	*+24%*	*751.0*
Revenue	**304.5**	**+7%**	*298.4*	*+4%*	*285.6*
Underlying EBITDA	**64.3**	**-2%**	*63.2*	*+4%*	*65.5*
Underlying operating profit	**47.3**	**-6%**	*46.5*	*-8%*	*50.5*

The Group's net debt at 31 October 2024 was £52.8m (2023: £14.4m), representing a net debt to underlying EBITDA ratio of 0.56x (2023: 0.16x). The financial health of the Group has continued to improve in a number of aspects during the year. Disciplined working capital practices have been maintained to reduce intra-period volatility, with working capital as a percentage of revenue remaining stable at 17% (2023: 17%).

The Group's order book at 31 October 2024 was £1.04bn (2023: £922m), of which approximately £413m is scheduled for delivery during 2025, representing cover of approximately 77% (2023: 79%) of expected 2025 revenue. On a constant currency basis, using the 2023 closing exchange rates, the order book would be £1.07bn. The increase since 31 October 2023 is attributable to strong order intake across the Countermeasures & Energetics sector. This leaves £625m of the order book to be delivered in FY26 and beyond. At this stage, this provides approximately 81% of 2026 and 52% of 2027 expected revenue cover in Countermeasures & Energetics.

Markets

The threat environment remains increasingly complex, with heightened geopolitical tension and risks of global conflict. Russia's invasion of Ukraine, the Israel-Hamas conflict elevating tensions in the Middle East, China's expanding military power, and the increasing asymmetric influence of Iran and the Democratic People's Republic of Korea ("North Korea") all contribute to the challenge. Against this heightened threat environment, the role of multi-lateral organisations such as the North Atlantic Treaty Organization ("NATO") and the European Union ("EU") is highly significant.

The Russia-Ukraine conflict has specifically refocused attention on the broad spectrum of defence capabilities relevant to a significant peer conflict. It has also led to a drive for modernisation and replenishment of NATO military assets, including those provided to Ukraine. It is also becoming clear that governments across Europe are concerned about the scale of the defence industrial base and its ability to act as a strategic deterrent. This has resulted in European nations re-evaluating their defence budgets and strategies to ensure they are prepared for these contemporary security issues.

China's ambitious defence modernisation programme is generating requirements for increasingly cutting-edge solutions to protect against a broad spectrum of threat. This is not only in the traditional domains of land, sea and air but also in space, and increasingly cyberspace.

The Group's diverse and specialised capabilities position it well to assist our customers in addressing these uncertainties.

Strategy

Chemring is a technology-differentiated Group operating in niche markets with high barriers to entry. We have a clear and relevant strategy for achieving our growth ambitions which is based on three essential strategic imperatives – grow, accelerate and protect.

First, we will drive organic growth by investing in our people, in technology and in increasing capacity. Next, we will inorganically accelerate that growth by seeking to make acquisitions in expanding, high-priority defence and national security markets such as cyber, information advantage and US space and missiles. For these market areas we have a live pipeline of technology and capability targets which we are actively evaluating against our robust acquisition criteria. Finally, we will continue to invest to protect and strengthen our sole source and market-leading positions through increased modernisation, automation and new product development. This strategy is fully aligned to the significant growth opportunities that we are seeing in the market and underpins our value proposition.

Our Countermeasures & Energetics sector strategy is operationally driven. Set against the background of Russia's invasion of Ukraine in February 2022 and the broader deteriorated geopolitical environment, we are seeing unparalleled demand for our specialist capabilities in energetics. As a Board we have approved investment to expand our manufacturing capacities in Norway, the US and the UK to respond to our customers' elevated and urgent requirements, facilitated by grant funding. In Countermeasures, where we expect robust but steady demand for our air and naval countermeasures over the next five years, even in the absence of force deployment, we will continue to advance modernisation and automation across our facilities. Additionally, we promote technology sharing and enhanced manufacturing excellence throughout the Group whenever possible.

The Sensors & Information sector is an area of major strategic focus for the Group. Our capabilities are highly relevant to customer investment priorities as they address a growing and diversifying threat. We will continue to grow our advanced product and service offerings in sensors, communications, cyber and AI, where our customer intimacy, mission understanding and integration capabilities position us well to deliver superior value to our defence, national security and other customers.

Chemring is committed to building a strong and sustainable company. Going forward we will continue to focus on developing our people and infrastructure to deliver future growth. We are committed to a rigorous focus on safety and environmental sustainability and to further enhancing our strong track record in operational performance and execution. Our vision for the future is to be our customers' preferred supplier, operating in niche markets with high barriers to entry and where we enjoy sole source or market-leading positions.

Group financial performance

Order intake for 2024 remained strong at £673m (2023: £756m). Demand in our niche Energetics businesses continued, where order intake was £348m (2023: £358m). Sensors & Information total order intake was £150m (2023: £215m) where the prior year benefitted from multi-year awards.

Revenue was up 8% to £510.4m (2023: £472.6m) reflecting significant growth in Roke and improved operational execution delivering strong output in our niche Energetics businesses.

The underlying operating profit of £71.1m (2023: £69.2m) resulted in an underlying operating margin of 13.9% (2023: 14.6%). The Group margin has fallen primarily reflecting the impact of operational challenges at our Tennessee Countermeasures business, and the lower margin legacy US government contract that impacted the year.

Total finance expense has increased to £4.8m (2023: £1.3m) reflecting the continued investment in our niche energetics businesses combined with higher interest rates versus the comparative period.

Underlying basic earnings per share from continuing operations was 19.8p (2023: 20.5p) and diluted underlying earnings per share from continuing operations was 19.3p (2023: 20.0p). Statutory basic earnings per share was 15.7p (2023: 13.4p) and statutory diluted earnings per share was 15.3p (2023: 13.1p).

Statutory operating profit was £58.1m (2023: £45.4m) and after statutory finance expenses of £4.8m (2023: £1.3m), statutory profit before tax was £53.3m (2023: £44.1m). The statutory profit after tax from continuing operations was £42.7m (2023: £37.7m) giving a statutory basic earnings per share from continuing operations of 15.7p (2023: 13.4p).

A reconciliation of underlying to statutory profit measures is provided in note 3. The non-underlying costs relate to the amortisation of acquired intangibles, change of senior management, defined benefit pension buy-in and buy-out transaction costs, releases of legal and disposal provisions, costs relating to acquisitions, loss on the movement in the fair value of derivative financial instruments and tax credit associated with these.

Segmental review – Countermeasures & Energetics

Performance

Order intake for 2024 remained strong at £523m (2023: £541m).

In the Energetics sector we continue to see increased levels of activity and demand in the devices, propellants and energetic materials markets as customers re-evaluate their operational usage and stockpile requirements associated with traditional defence capabilities. As a result, our three niche Energetics businesses, which design and manufacture high precision engineered devices and specialist materials, have continued to see strong customer demand with order intake at £348m (2023: £358m).

Our Norwegian-based subsidiary, Chemring Nobel, had another period of record performance and signed a number of long-term partnering agreements with its key customers. In June 2024 a 15-year partnering agreement was signed with Northrop Grumman for the supply of HMX energetic material used in its missile programmes. As part of this agreement, Chemring Nobel also received an initial delivery order, valued at $83m, for the supply of HMX. Deliveries under this order will commence in FY26 and will be made over the following three years.

In November 2024 Chemring Nobel signed a 12-year framework agreement with Diehl Defence for the supply of MCX energetic material. As part of this agreement, Chemring Nobel received an initial purchase order for the delivery of MCX, valued at €231m. Deliveries under this order will commence in 2027 and will be made over the following five years. The company is exploring options to perform the blending stage of the manufacturing process in Germany.

Our Scottish facility also received a number of notable contract awards during the year. The business also made excellent progress in the construction of its new propellants manufacturing facility. Concrete pours have been completed on most buildings with steelwork and frames also installed. This new facility will provide increased capacity and throughput in a safe and modern manufacturing environment.

In the US, we have seen growing demand for precision engineered devices for space and missile applications, with our Chicago business, Chemring Energetic Devices ("CED"), receiving a significant level of orders in the period. These included an order from the United Launch Alliance to develop initiators and an order from Boeing in relation to the Harpoon missile programme, with the combined value of these two orders totalling over $20m. In April, CED successfully completed qualification testing for the Blue Origin Standard Initiator and is now the sole provider for this device. This initiator will be common to all Blue Origin spacecraft including the upcoming New Glenn launch vehicle.

In January 2024, and in response to growing customer demand, CED acquired an additional 45,000 sq. ft. facility adjacent to its existing site. The new facility, which commenced operations in April 2024, significantly enhances CED's ability to maintain continuous flow manufacturing operations which is essential in delivering against customer programme requirements, and is a key enabler of its future growth ambitions. CED closed the financial year with a record order book which is in excess of $200m (2023: $165m). In November 2024 CED received an order valued at $106m for the delivery of critical components used on an undisclosed missile programme for the US DoD, further enhancing this record order book.

This strong performance demonstrates the value that our customers place on Chemring's niche products and the strong demand that we expect over the coming years. This was further illustrated when in March, the Group received notification that the European Commission had granted £57m of funding to our Norwegian subsidiary, Chemring Nobel, in support of boosting defence production in Europe. Further funding of £32m was also received from the Government of Norway to boost capacity and production at the site.

In Countermeasures we have continued to see steady customer demand from across our portfolio, maintaining our position as the world leader in the design, development and manufacture of advanced expendable countermeasures. Order intake was £175m (2023: £183m). Notable contract awards at Chemring Countermeasures UK ("CCM UK") included a £36m order from BAE Systems, a £16m order from the UK MOD, and an £8m order from MBDA USA for a new naval infra-red decoy. This was the first US production order that CCM UK had received in over ten years, and contributed to the business having a year-end order book of greater than £200m, the highest in its history. Chemring Australia also secured a $31m contract for the supply of MJU-68/B infra-red countermeasures used on the F-35 Joint Strike Fighter.

The Countermeasures sector saw a greater weighting of its trading performance and cash generation to the second half of 2024, following the operational challenges experienced at our Tennessee Countermeasures business, where production was disrupted due to adverse weather conditions and there were delays in the ramp up of its automated facility. The underlying operating profit margin was also adversely affected by deliveries made on a legacy contract from 2016 for the supply of countermeasures to the US DoD. Having previously been expected to complete in the second half of the financial year, the customer has now exercised an option to extend the duration of this contract, which will now conclude in the first half of FY25.

Revenue for Countermeasures & Energetics was up by 4% to £298.4m (2023: £285.6m). The sector reported an underlying operating profit of £46.5m (2023: £50.5m) as underlying operating margin decreased to 15.6% (2023: 17.7%), reflecting the impact of operational challenges at our Tennessee Countermeasures business. On a constant currency basis revenue would have been up 7% to £304.5m and operating profit would have been down 6% to £47.3m.

Opportunities and outlook

The Countermeasures & Energetics segment’s focus remains on maintaining and growing the Group’s market-leading positions, in particular in the growing markets for propellants and precision engineered energetic devices, and in countermeasures where we see undiminishing demand for our air and naval decoy products, even in the absence of force deployment. Our focus on seeking to achieve appropriate margins, mindful of financial constraints from our customers, will continue.

The Group’s specialist propellant and devices businesses in Scotland and Chicago are increasingly securing long-term contracts with customers, supporting greater short and medium-term visibility and providing a framework for long-term planning and investment decisions. Similarly, demand for high-quality energetic materials has enabled our Norwegian business to work proactively with its customer base on establishing long-term contracting models, providing significantly improved visibility.

The increasingly positive market conditions for our Energetics businesses, reflected in our order intake and record order book, have presented a strong organic growth opportunity to expand capacity at these sites. In 2023 we announced a three-year £120m investment programme through to 2026 to capitalise on this long-term demand. As the strong market conditions have continued, we announced the decision in June to increase the capital investment programme from £120m to £200m, which we expect to increase revenue by £100m per annum and operating profit by £30m per annum from 2028. In addition to this, we announced that our Norwegian business had been awarded grant funding of £90m in support of its capacity expansion projects, meaning that the net investment required by the Group will now be £110m in total.

In October 2024 the Norwegian Government announced that, in partnership with Chemring Nobel, it had launched a feasibility study into the establishment of a new production facility to further increase the production of military explosives, as they view Chemring Nobel as the producer in Europe and North America that can establish increased production the fastest. This co-funded feasibility study, which is expected to be concluded in early 2025, will investigate the geographic location, infrastructure requirements and environmental considerations of building a new production facility. The study will also consider the role and the levels of any financial contribution made by the Norwegian Government.

Alongside these investments in expanding our capacities we will continue to invest in new product development to ensure that our product portfolio remains highly relevant to our customers and will continue the process of operational alignment to share technology and manufacturing excellence across the Group.

The Countermeasures & Energetics order book at 31 October 2024 was up 27% to £933m (2023: £751m). The increase compared to the 2023 year-end closing order book is largely attributable to the strong order intake across the Energetics businesses whose customers are increasingly placing multi-year orders. Of the 31 October 2024 order book, approximately £323m is currently expected to be delivered in 2025, representing 97% coverage of expected 2025 revenue and approximately 81% of 2026 and 52% of 2027 revenue.

Segmental review – Sensors & Information

Performance

Order intake in the year was down 31% to £149.7m (2023: £215.4m). This was driven by a decrease in Roke's order intake as customers returned to an annual order cycle rather than the multi-year awards that were placed following the COVID-19 pandemic and the order for Joint Biological Tactical Detection Systems ("JBTDS") Low Rate Initial Production ("LRIP") being in the prior year comparator.

Roke "pass-through" impact	**2024 £m**	2023 £m	**Change**
Order intake			
Products and services	**115**	156	**-26%**
Pass-through	**16**	27	**-41%**
As reported	**131**	183	**-28%**
Revenue			
Products and services	**157**	128	**+23%**
Pass-through	**28**	32	**-13%**
As reported	**185**	160	**+16%**

Revenue for Sensors & Information increased by 13% to £212.0m (2023: £187.0m) and underlying operating profit increased by 21% to £41.4m (2023: £34.2m), as underlying operating profit margin increased to 19.5% (2023: 18.3%). This was driven by the increased products and services revenue at Roke and lower margin dilutive "pass-through" revenue as shown in the table above. Adjusting for the "pass-through" revenue, the Sensors & Information underlying profit margin would have been 22.5% (2023: 22.1%). On a constant currency basis revenue would have risen 14% to £212.8m and underlying operating profit would have increased by 21% to £41.5m.

In the UK, the markets for Electronic Warfare ("EW"), cyber and AI capabilities, in which Roke is a leading participant, have remained buoyant in the period. As shown above, Roke has delivered strong growth in revenue with double-digit growth in underlying operating profit and has maintained strong margins despite increased investment in people, infrastructure and product development.

A fundamental characteristic of the increased threat environment and of current conflicts, notably Russia's invasion of Ukraine and Hamas' attack on Israel, is how conventional wars are blending in the use of new technologies and tactics, and how agility and being able to adapt at pace are essential to defeat both established and emerging threats. Government customers are budgeting and investing accordingly, and in this multi-domain, integrated environment, Roke's capabilities in active cyber defence, EW, sensors, intelligence, autonomy and AI are seeing strong demand, and making an important contribution to supporting vital missions.

In Roke's defence markets, the increasing importance of Cyber and Electromagnetic Activity ("CEMA") in today's threat environment has led to a growing number of enquiries for Roke's suite of world-leading EW products. A notable highlight during the period was further wins in the area of EW with awards received from customers in Sweden, Lithuania, Latvia, the United Arab Emirates and Japan. The order for ten Resolve EW systems to Japan is Roke's first into the East Asia region, securing a high-quality reference customer. Roke has a significant (>£300 million) 5-year international sales pipeline for EW products as customers increase focus on CEMA.

Roke's expertise in the field of EW was further demonstrated in September 2024 when Roke was announced as one of four UK organisations to have been selected for research funding in the first AUKUS Innovation Challenge. The trilateral AUKUS Pillar 2 EW Challenge called for proposals to identify electromagnetic spectrum technology solutions to help give the AUKUS nations a strategic edge in targeting and to provide protection against adversarial electromagnetic-targeting capabilities.

During the year Roke also received a £10m increase to the Project ZODIAC MVP award received in September 2023. ZODIAC is the backbone of the British Army's Land ISTAR Programme which will deliver an integrated ISTAR system to transform how the Army undertakes data-led decision making to gain operational advantage. In total, Roke's ZODIAC programme contract awards now stand at £51m with the programme currently completing in FY25. Future phases of Zodiac could be in excess of £100m, presenting a significant opportunity to Roke as the incumbent supplier.

Roke has continued to cement its position as a key strategic partner to the UK's national security agencies, further enhancing this key high barrier to entry value stream. Despite Government spending headwinds multiple awards, valued at c.£50m, were received from the national security community.

Roke's new Intelligence business area has made good progress in building a position in the fast growing, embryonic, opportunity-rich open source intelligence ("OSINT") market. Roke's unique approach to this market integrates human expertise and intelligence tradecraft with cutting-edge technology including AI, machine learning and advanced sensors. Roke's capabilities and technologies are combining to create a highly differentiated intelligence offering, and while the initial domain focus is on geospatial intelligence ("GEOINT") to commercial clients with a requirement for maritime domain awareness, strong potential exists to cross-sell this capability to other Roke customers.

Following last year's decision to exit the Explosive Hazard Detection business, 2024 has been a transitional period for our US Sensors business as we focus on our biological detection capabilities. Deliveries under the full rate production phase of the Enhanced Maritime Biological Detection System ("EMBD") Program of Record have continued as planned. This fully automated sensor to rapidly detect, collect, identify and sample airborne biological warfare agents is supporting the US Navy. In April 2024 we received a fourth option quantity exercised under the sole source $99m Indefinite Delivery/ Indefinite Quantity contract valued at $15m, with deliveries expected to be made in 2025.

On the JBTDS programme, having been awarded a LRIP contract in September 2023, material procurement and production gathered pace throughout the year with all major deliverables under the JBTDS LRIP contract having been completed. We continue to support the customer as they progress through testing and acceptance, with the expectation of a Full Rate Production contract being awarded in FY26.

These sole source positions with the US DoD provide an excellent opportunity to penetrate international markets with these products sold under Foreign Military Sales ("FMS") and direct commercial sales agreements to key strategic allies of the US Government.

Chemring's experience and expertise in fielding biological agent detectors for its US DoD customers provide a strong platform from which to pursue opportunities in other existing and adjacent markets, such as homeland security. In a post-pandemic and contested world, governments are becoming increasingly concerned by the risks of both naturally occurring and engineered biological threats. Advances in synthetic biology now give our national adversaries the capability to deliberately engineer organisms to create hazards and cause harm. As a key supplier of biological detection equipment to the US DoD, we are well placed to help customer in this area.

Opportunities and outlook

The focus for Sensors & Information continues to be on expanding the Group's product, service and capability offerings to government and commercial customers in the technology-driven areas of national security, AI and machine learning, tactical EW, information security and biological threat detection.

In the UK, the national security and defence markets are being increasingly shaped by a rapidly changing threat environment with AI, EW and data proliferation of particular focus. This is driving increased investment as customers look to modernise their capabilities at pace.

Roke will continue to focus its efforts on growing across all its business areas, delivering research, design, engineering and advisory services using its high-quality people and capabilities. In year Roke has expanded its sites in Gloucester and Manchester, continuing its strategy of building presence alongside customers, academic partners and science and engineering talent pools.

With strong positions in markets with high barriers to entry and where customers have unique profiles, our ambition remains to organically grow Roke's revenues to greater than £250m per annum by 2028, while maintaining strong margin performance. We will also continue to actively explore opportunities to expand and accelerate the Sensors & Information sector capabilities and offerings, both by leveraging opportunities in adjacent markets and through further bolt-on acquisitions. However, any acquisition must meet a strict set of criteria, enhance shareholder value and fit in with our wider growth plans.

The order book for Sensors & Information at 31 October 2024 was £105m (2023: £171m) as customers defer to placing annual orders over multi-year contracts that we have seen in recent years. Of this, £101m is expected to be delivered in 2025, providing 48% cover of expected 2025 revenue. 2025 trading performance for Sensors & Information is expected to show a continuation of the momentum seen in 2024, with continued growing demand for Roke's products and services. Medium-term growth opportunities in the US are driven by the Group's sole source positions on the biological detection Programs of Record moving into full rate production and by exploiting overseas opportunities for our biological threat detection capabilities.

Net debt and cash flow

The Group's net debt at 31 October 2024 was £52.8m (2023: £14.4m), representing a net debt to underlying EBITDA ratio of 0.56x (2023: 0.16x).

Underlying operating activities generated cash of £96.0m (2023: £80.0m) and statutory operating activities generated cash of £90.5m (2023: £75.2m). Underlying cash conversion was 102% (2023: 90%) of underlying EBITDA, and an average of 101% on a rolling 36-month basis (2023: 101%).

Working capital

Working capital was £88.3m (2023: £82.3m), an increase of £6.0m. As a percentage of revenue, working capital has remained stable at 17% (2023: 17%). We continued with our focus on commercial contracting, inventory levels and cash management. Year-end trade receivable days of 15 (2023: 16) and trade payable days of 30 (2023: 18) demonstrate that working capital has been managed in a balanced and sustainable manner.

Tax

The underlying tax charge totalled £12.3m (2023: £10.2m) on an underlying profit before tax of £66.3m (2023: £67.9m). The effective tax rate on underlying profit before tax for the year was a charge of 18.6% (2023: 15.0%).

The Group effective tax rate increased, reflecting the full year effect of the increase in the UK corporation tax rate and an increased weighting of UK profit. The statutory tax charge totalled £10.6m (2023: £6.4m) on a statutory profit before tax of £53.3m (2023: £44.1m).

Retirement benefit obligations

On 28 November 2023 the trustees of the Chemring Group Staff Pension Scheme ("the Scheme") entered into a buy-in contract with an insurer, Pension Insurance Corporation ("PIC"). The Group has made payments to the Scheme of £3.0m to date and expects to pay c.£1.1m over the next year as a contribution to the buy-in premium, to provide funding for the rectification of certain members' benefits and to meet the costs associated with the initial buy-in and eventual buy-out of the Scheme. On completion of the full buy-out of the Scheme, the defined benefit assets and matching defined benefit liabilities will be derecognised from the Group balance sheet.

The surplus on the Group's defined benefit pension scheme was £0.1m (2023: £5.9m), measured in accordance with IAS 19 (Revised) Employee Benefits.

Dividends

The Board continues to recognise that dividends are an important component of total shareholder returns. The Board's objective is for a growing and sustainable dividend and has met the target dividend cover of c.2.5 times underlying EPS, subject inter alia to maintaining a strong financial position.

The Board is recommending a final dividend in respect of the year ended 31 October 2024 of 5.2p (2023: 4.6p) per ordinary share. With the interim dividend of 2.6p per share (2023: 2.3p), this results in a total dividend of 7.8p (2023: 6.9p) per share, an increase of 13% on the prior year. If approved, the final dividend will be paid on 11 April 2025 to shareholders on the register on 21 March 2025. In accordance with accounting standards, this final dividend has not been recorded as a liability as at 31 October 2024.

Share buyback programme

On 1 August 2023 the Group announced that it had commenced a share buyback programme of up to £50m. The sole purpose of the buyback programme was to reduce the Company's share capital and the Ordinary Shares purchased under the programme were cancelled. Originally intended to end on 31 July 2024 the programme was subsequently extended to 17 December 2024. Since its inception the buyback programme has returned £37m to shareholders. The Board has decided that the programme will not be renewed given the significant number of organic growth opportunities and the current buyback programme will therefore lapse on 17 December 2024.

Current trading and outlook

Trading since the start of the current financial year is running to plan. The Board's expectations for the Group's 2025 performance remains in line with market expectations, with a similar weighting towards the second half.

The Group order book as at 31 October 2024 was £1,038m, of which £413m is currently expected to be recognised as revenue in 2025, giving 77% order cover, which provides excellent visibility for the full year. This leaves £625m of the order book to be delivered in 2026 and beyond, which provides approximately 81% of 2026 and 52% of 2027 expected revenue cover in Countermeasures & Energetics.

The Group's longer-term growth prospects are strong, underpinned by robust activity levels, our leading technological offerings, the calibre of our people, high barriers to entry, and the investments we continue to make in our strong, high-quality business. With customers needing to re-equip and modernise their defence capabilities providing increased visibility, and with a robust strategy, the Group maintains its ambition to increase the Group's annual revenue to c.£1bn by 2030.

The Board remains confident that Chemring will continue to deliver both robust organic and inorganic growth, balancing near-term performance with longer-term growth and value creation.

Going concern

The directors believe that the Group is well placed to manage its business risks successfully The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current committed facilities.

Key financial metrics

	2024	Covenant
Revolving credit facility, UKEF facility and overdraft	£245.6m	
Undrawn committed borrowing facilities	£157.4m	
Leverage ratio	0.57x	Less than 3x
Interest cover ratio	15.28x	Greater than 4x

The revolving credit facility of £150m runs to December 2025, of which £130m has been extended to December 2026. The Group also has a $20m overdraft facility in the US. In October 2024, the group entered into a UK Export Finance Development Guarantee facility led by Barclays PLC for up to £80m. This is a four-year term, arm's length facility with a one-year draw down period and a three-year amortising repayment schedule. The Group was in compliance with its covenants throughout the year.

Confirmation of going concern

After consideration of the above, the directors have a reasonable expectation that the Group and the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

A detailed description of the Group's going concern and long-term viability assessment, together with sensitivity analysis, can be found on page 83 of the Group's 2024 annual report and accounts.

Principal risks and uncertainties

The principal risks and uncertainties which could have a material impact on the Group's performance and could cause actual results to differ materially from expected and historical results have not changed significantly from those set out in the Group's 2023 annual report and accounts and the 2024 interim report. A detailed description of the Group's principal risks and uncertainties and the ways they are mitigated can be found on pages 76 to 82 of the Group's 2024 annual report and accounts. In summary, the principal risks relate to:

- Occupational and process safety
- Environmental laws and regulations
- Climate change
- Market
- Political
- Contracts
- Technology
- Financial
- Operational
- People
- Cyber-security
- Compliance and corruption

Management have detailed mitigation plans and assurance processes to manage and monitor these risks.

RESPONSIBILITY STATEMENT OF THE DIRECTORS ON THE ANNUAL REPORT AND ACCOUNTS

The responsibility statement below has been prepared in connection with the Company's full annual report and accounts for the year ended 31 October 2024. Certain parts thereof are not included within this announcement.

We confirm to the best of our knowledge:

1. the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
2. the strategic report and directors' report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

This responsibility statement was approved by the Board of directors on 17 December 2024, and has been signed on its behalf by Michael Ord and Sarah Ellard.

CONSOLIDATED INCOME STATEMENT

for the year ended 31 October 2024

	Note	2024 £m	2023 £m
Continuing operations			
Revenue	2	**510.4**	472.6
Operating profit	2	**58.1**	45.4
Finance expense		**(4.8)**	(1.3)
Profit before tax		**53.3**	44.1
Tax charge on profit		**(10.6)**	(6.4)
Profit after tax for the period		**42.7**	37.7
Discontinued operations			
Loss after tax from discontinued operations	4	**(3.2)**	(32.3)
Profit after tax for the period		**39.5**	5.4
Earnings per ordinary share			
Continuing operations			
Basic	5	**15.7p**	13.4p
Diluted	5	**15.3p**	13.1p
Continuing operations and discontinued operations			
Basic	5	**14.5p**	1.9p
Diluted	5	**14.2p**	1.9p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 October 2024

	2024 £m	2023 £m
Profit after tax attributable to equity holders of the parent as reported	**39.5**	5.4
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of the defined benefit pension scheme	**(1.3)**	(4.7)
Movement on deferred tax relating to the pension scheme	**0.5**	1.6
	(0.8)	(3.1)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	**(12.0)**	(15.2)
Tax on exchange differences on translation of foreign operations	**0.1**	(1.1)
	(11.9)	(16.3)
Total comprehensive income / (loss) attributable to equity holders of the parent	**26.8**	(14.0)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 October 2024

	Share capital £m	Share premium account £m	Special capital reserve £m	Translation reserve £m	Retained Earnings £m	Total £m
At 1 November 2023	2.8	308.7	12.9	(8.8)	62.9	378.5
Profit after tax	-	-	-	-	39.5	39.5
Other comprehensive loss	-	-	-	(12.0)	(1.3)	(13.3)
Tax relating to components of other comprehensive loss	-	-	-	0.1	0.5	0.6
Total comprehensive (loss)/income	-	-	-	(11.9)	38.7	26.8
Ordinary shares issued	-	0.3	-	-	-	0.3
Purchase of own shares	(0.1)	-	0.1	-	(38.4)	(38.4)
Share-based payments (net of settlement)	-	-	-	-	8.7	8.7
Dividends paid	-	-	-	-	(19.6)	(19.6)
At 31 October 2024	**2.7**	**309.0**	**13.0**	**(20.7)**	**52.3**	**356.3**

	Share capital £m	Share premium account £m	Special capital reserve £m	Translation reserve £m	Retained Earnings £m	Total £m
At 1 November 2022	2.8	307.7	12.9	7.5	87.2	418.1
Profit after tax	-	-	-	-	5.4	5.4
Other comprehensive loss	-	-	-	(15.2)	(4.7)	(19.9)
Tax relating to components of other comprehensive loss	-	-	-	(1.1)	1.6	0.5
Total comprehensive (loss)/income	-	-	-	(16.3)	2.3	(14.0)
Ordinary shares issued	-	1.0	-	-	-	1.0
Purchase of own shares	-	-	-	-	(16.9)	(16.9)
Share-based payments (net of settlement)	-	-	-	-	7.6	7.6
Dividends paid	-	-	-	-	(17.3)	(17.3)
At 31 October 2023	2.8	308.7	12.9	(8.8)	62.9	378.5

CONSOLIDATED BALANCE SHEET
as at 31 October 2024

	Note		2024		2023
		£m	£m	£m	£m
Non-current assets					
Goodwill		**98.5**		100.5	
Development costs		**18.6**		17.6	
Other intangible assets		**10.0**		9.6	
Property, plant and equipment		**287.8**		242.2	
Retirement benefit surplus		**0.1**		5.9	
Deferred tax		**7.3**		36.9	
			422.3		412.7
Current assets					
Inventories		**127.1**		101.7	
Trade and other receivables		**91.0**		74.8	
Cash and cash equivalents	8	**45.0**		6.4	
Derivative financial instruments		**0.9**		0.8	
			264.0		183.7
Assets classified as held for sale	4		**5.8**		-
Total assets			**692.1**		596.4
Current liabilities					
Borrowings	8	**(43.0)**		-	
Lease liabilities	8	**(2.1)**		(1.1)	
Trade and other payables		**(163.3)**		(124.0)	
Provisions		**(3.2)**		(5.6)	
Current tax		**(8.8)**		(8.2)	
Derivative financial instruments		**(1.5)**		(3.2)	
			(221.9)		(142.1)
Non-current liabilities					
Borrowings	8	**(43.7)**		(14.1)	
Lease liabilities	8	**(8.9)**		(5.5)	
Government grants		**(24.0)**		-	
Provisions		**(16.7)**		(12.0)	
Deferred tax		**(17.6)**		(43.8)	
Derivative financial instruments		**(2.9)**		(0.3)	
Preference shares	8	**(0.1)**		(0.1)	
			(113.9)		(75.8)
Total liabilities			**(335.8)**		(217.9)
Net assets			**356.3**		378.5
Equity					
Share capital			**2.7**		2.8
Share premium account			**309.0**		308.7
Special capital reserve			**13.0**		12.9
Translation reserve			**(20.7)**		(8.8)
Retained earnings			**52.3**		62.9
Total equity			**356.3**		378.5

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 October 2024

	Note	**2024**	2023
		£m	£m
Cash flows from operating activities			
Cash generated from continuing underlying operations	6	**96.0**	80.0
Cash impact of continuing non-underlying items		**(2.5)**	(2.1)
Cash (utilised in)/generated from discontinued underlying operations	6	**(1.5)**	(0.8)
Cash impact of discontinued non-underlying items		**(1.5)**	(1.9)
Cash flows from operating activities		**90.5**	75.2
Retirement benefit deficit contributions		**(3.0)**	-
Tax paid		**(6.5)**	(9.3)
Net cash inflow from operating activities		**81.0**	65.9
Cash flows from investing activities			
Purchases of intangible assets		**(4.8)**	(1.5)
Purchases of property, plant and equipment		**(64.8)**	(32.7)
Acquisition of subsidiary net of cash acquired		**-**	(7.2)
Grant funding		**22.0**	-
Short-term funding to defined benefit pension scheme		**-**	2.0
Net cash outflow from investing activities		**(47.6)**	(39.4)
Cash flows from financing activities			
Dividends paid		**(19.6)**	(17.3)
Purchase of own shares		**(41.0)**	(14.0)
Proceeds for transactions in own shares		**0.9**	0.9
Paid accrued dividends on shares		**(0.2)**	(0.3)
Finance expense paid		**(4.0)**	(0.7)
Capitalised facility fees paid		**(0.8)**	(0.3)
Drawdown of borrowings		**100.0**	60.1
Repayments of borrowings		**(70.1)**	(66.8)
Payments of lease liabilities		**(2.5)**	(1.8)
Net cash outflow from financing activities		**(37.3)**	(40.2)
(Decrease)/increase in cash and cash equivalents		**(3.9)**	(13.7)
Cash and cash equivalents at beginning of the year		**6.4**	19.8
Effect of foreign exchange rate changes		**(0.5)**	0.3
Cash and cash equivalents at end of the year*		**2.0**	6.4

** Cash and cash equivalents of £2.0m at 31 October 2024 includes current borrowings of £43.0m. See note 9 for further details.*

Notes

1. ACCOUNTS AND AUDITOR'S REPORT

The financial information set out above does not constitute the Company's statutory accounts for the year ended 31 October 2024 or 31 October 2023 but is derived from those accounts. Statutory accounts for 2023 have been delivered to the Registrar of Companies, and those for 2024 will be delivered following the Company's Annual General Meeting. The auditor has reported on these accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report, and did not contain any statements required under either section 498(2) or section 498(3) of the Companies Act 2006.

This announcement has been prepared on the basis of the accounting policies set out in the Company's financial statements for the year ended 31 October 2024.

Whilst the financial information included in this announcement has been computed in accordance with UK-adopted International Financial Reporting Standards ("UK-adopted IFRSs"), this announcement does not itself contain sufficient information to comply with UK-adopted IFRSs. The Company expects to post full financial statements that comply with UK-adopted IFRSs on its website on 17 December 2024 (see note 15 below).

Recent accounting developments

The following International Financial Reporting Committee ("IFRIC") interpretations, amendments to existing standards and new standards were adopted in the year ended 31 October 2024 but have not materially impacted the reported results or the financial position:

- IFRS 17 *Insurance Contracts*;
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

2. SEGMENTAL ANALYSIS – CONTINUING OPERATIONS

Year ended 31 October 2024

	Sensors & Information £m	**Countermeasures & Energetics £m**	**Unallocated £m**	**Group £m**
Revenue	**212.0**	**298.4**	**-**	**510.4**
Segment result before depreciation, amortisation and non-underlying items and discontinued operations	**47.3**	**63.2**	**(16.8)**	**93.7**
Depreciation	**(4.6)**	**(16.4)**	**-**	**(21.0)**
Amortisation	**(1.3)**	**(0.3)**	**-**	**(1.6)**
Segmental underlying operating profit	**41.4**	**46.5**	**(16.8)**	**71.1**
Amortisation of acquired intangibles	**(0.8)**	**(1.2)**	**-**	**(2.0)**
Non-underlying items	**(3.2)**	**2.8**	**(10.6)**	**(11.0)**
Segmental operating profit	**37.4**	**48.1**	**(27.4)**	**58.1**

Year ended 31 October 2023

	Sensors & Information £m	Countermeasures & Energetics £m	Unallocated £m	Group £m
Revenue	187.0	285.6	-	472.6
Segment result before depreciation, amortisation and non-underlying items and discontinued operations	38.5	65.5	(15.5)	88.5
Depreciation	(3.6)	(15.0)	-	(18.6)
Amortisation	(0.7)	-	-	(0.7)
Segmental underlying operating profit	34.2	50.5	(15.5)	69.2
Amortisation of acquired intangibles	(1.3)	(1.7)	-	(3.0)
Non-underlying items	(22.2)	-	1.4	(20.8)
Segmental operating profit	10.7	48.8	(14.1)	45.4

3. ALTERNATIVE PERFORMANCE MEASURES

The principal alternative performance measures ("APMs") presented are the underlying measures of earnings which exclude exceptional items, gain or loss on the movement on the fair value of derivative financial instruments, and the amortisation of acquired intangibles. The directors believe that these APMs assist with the comparability of information between reporting periods. The term underlying is not defined under IFRS and may not be comparable with similarly titled measures used by other companies.

Reconciliation from underlying to statutory performance:

	2024			2023		
	Underlying performance*	**Non-underlying items***	**Total**	Underlying performance*	Non-underlying items*	Total
	£m	**£m**	**£m**	£m	£m	£m
Continuing operations						
Revenue	**510.4**	**-**	**510.4**	472.6	-	472.6
Operating profit	**71.1**	**(13.0)**	**58.1**	69.2	(23.8)	45.4
Finance expense	**(4.8)**	**-**	**(4.8)**	(1.3)	-	(1.3)
Profit before tax	**66.3**	**(13.0)**	**53.3**	67.9	(23.8)	44.1
Taxation	**(12.3)**	**1.7**	**(10.6)**	(10.2)	3.8	(6.4)
Profit after tax	**54.0**	**(11.3)**	**42.7**	57.7	(20.0)	37.7
Discontinued operations						
Loss after tax from discontinued operations	**(1.3)**	**(1.9)**	**(3.2)**	(0.9)	(31.4)	(32.3)
Total profit after tax	**52.7**	**(13.2)**	**39.5**	56.8	(51.4)	5.4
Earnings per ordinary share						
Continuing operations						
Basic	**19.8p**		**15.7p**	20.5p		13.4p
Diluted	**19.3p**		**15.3p**	20.0p		13.1p
Continuing operations and discontinued operations						
Basic	**19.3p**		**14.5p**	20.2p		1.9p
Diluted	**18.8p**		**14.2p**	19.7p		1.9p

Breakdown of non-underlying items:

	2024 £m	2023 £m
(Loss)/gain on movements in the fair value of derivative financial instruments	**(2.0)**	**1.4**
Acquisition expenses	**(3.4)**	**(3.7)**
Defined benefit pension buy-in and buy-out transaction	**(7.5)**	**-**
Change in senior management positions	**(1.2)**	**-**
Impairment of Chemical Detection assets	**-**	**(18.5)**
Release of disposal provisions	**-**	**3.2**
Increase in legal and disposal provisions	**3.1**	**(3.2)**
Impact of non-underlying items on EBITDA	**(11.0)**	**(20.8)**
Intangible amortisation arising from business combinations	**(2.0)**	**(3.0)**
Impact of non-underlying items on profit before tax	**(13.0)**	**(23.8)**
Tax impact of non-underlying items	**1.7**	**3.8**
Impact of non-underlying items on continuing profit after tax	**(11.3)**	**(20.0)**
Non-underlying discontinued operations after tax	**(1.9)**	**(31.4)**
Impact of non-underlying items on profit after tax	**(13.2)**	**(51.4)**
Underlying profit after tax	**52.7**	**56.8**
Statutory profit after tax	**39.5**	**5.4**

Derivative financial instruments

Included in non-underlying items is a £2.0m loss (2023: £1.4m gain) on the movement in fair value of derivative financial instruments. This is excluded from underlying earnings to ensure the recognition of the gain or loss on the derivative matches the timing of the underlying transaction.

Acquisition expenses

Included in non-underlying items is £3.4m (2023: £3.7m) of acquisition related expenses. This includes £3.2m (2023: £3.4m) relating to deferred consideration contingent on continued employment of the former owners of Geollect and Cubica, which has been accounted for as equity-settled share-based payments under IFRS 2 *Share-based payments*. We have classified this cost as a non-underlying item as it is a non-recurring cost relating to acquisitions. The remaining expense of £0.2m (2023: £0.3m) primarily includes professional fees incurred in relation to the Group's mergers and acquisitions activity during the year. The acquisition related expenses are not reflective of the underlying costs of the Group and therefore, in order to provide an explanation of results that is not distorted by the costs of a business being aquired rather than organically developed, these costs have been excluded from the underlying measures.

Defined benefit pension buy-in and buy-out transaction

Included in non-underlying items is an expense of £7.5m (2023: £nil). This comprises the settlement loss following the buy-in transaction agreed on 28 November 2023, as well as ongoing costs incurred in relation to the buy-in process which will eventually conclude with a buy-out of the scheme. The buy-in and buy-out transaction is considered a non-recurring event by nature and the expense relating to it is material in size; therefore, these costs have been excluded from the underlying measures.

Change in senior management positions

Included in non-underlying items are costs of £1.2m (2023: £nil) relating to the change of senior management positions within the Group, including the appointment of the Group Chief Financial Officer and the President of the Group's US operations. The non-underlying costs include costs incurred during handover periods. Costs incurred of this nature are considered exceptional given their significance comparative to general recruitment and remuneration activities across the Group; therefore, these costs have been excluded from the underlying measures.

Legal and disposal provisions

Included in non-underlying items is a £3.1m release of legal and disposal provisions, relating to the 2018 incident at our UK countermeasures facility in Salisbury. The HSE investigation was closed in the year.

Amortisation of acquired intangibles

Included in non-underlying items is the amortisation charge arising from business combinations of £2.0m (2023: £3.0m). Amortisation of acquired intangibles arising from business combinations is associated with acquisition accounting under IFRS 3 *Business Combinations*. IFRS requires intangibles to be recognised on acquisition that would not have been capitalised had the business grown organically under Chemring's ownership. As such, these costs are not reflective of the underlying costs of the Group and therefore, in order to provide an explanation of results that is not distorted by the history of business units being acquired rather than organically developed, have been excluded from the underlying measures.

Tax

The tax impact of non-underlying items comprises a £1.7m tax credit (2023: £3.8m credit) on the above non-underlying items.

We present the underlying effective tax rate for the Group, excluding non-underlying items, that is comparable over time. This is the taxation expense for the Group, excluding any non-underlying tax charge or credit, as a percentage of underlying profit before taxation.

Net debt

A reconciliation and analysis of net debt is presented in notes 7 and 8. This APM allows management to monitor the indebtedness of the Group.

Discontinued operations

Further details on the results of discontinued operations are presented in note 4.

4. DISCONTINUED OPERATIONS AND HELD FOR SALE

Total losses from discontinued operations for the year to 31 October 2024 were £3.2m. Included in this balance is the underlying loss from the EHD business of £1.3m and an associated non-underlying credit of £4.5m, being the reversal of an impairment of £5.8m of the held for sale assets, a £0.6m charge for site rationalisation costs and professional fees related to the sale, and a tax credit against those non-underlying items of £0.7m (see below). Also included in discontinued operations is a £6.4m charge relating to an increase in provisions for a previously disposed European Munitions business.

EHD Business

In 2023 the decision was taken that the Explosive Hazard Detection ("EHD") business would not continue to operate as a result of the US DoD's decision in 2022 to transition the HMDS Program of Record into sustainment earlier than previously indicated. After evaluating the potential sustainment program it was determined that in the short to medium term there was insufficient DoD funding to make it economically viable for Chemring to continue to operate the EHD business. Therefore the business was abandoned and treated as a discontinued operation. All assets were written off and impaired as at 31 October 2023. During the year to 31 October 2024 and prior to the assets being physically disposed of, the Group received an offer to purchase the EHD business. An asset purchase agreement was signed for the purchase of the EHD business. The business assets were preserved, and certain costs were incurred to safeguard these assets in order to ensure that they were in a condition ready to sell. There was also certain revenue related to the sale of spare parts for the service of active units in operation which occurred during the year while the process of selling the EHD business was ongoing, as disclosed in the table below. The sale transaction is expected to complete in the next 12 months, subject to regulatory approval.

		2024			2023	
	Underlying £m	**Non-underlying £m**	**Total £m**	Underlying £m	Non-underlying £m	Total £m
EHD business						
Revenue	**1.8**	**-**	**1.8**	9.3	-	9.3
Operating loss	**(1.5)**	**5.2**	**3.7**	(1.2)	(33.6)	(34.8)
Tax	**0.2**	**(0.7)**	**(0.5)**	0.3	2.2	2.5
	(1.3)	**4.5**	**3.2**	(0.9)	(31.4)	(32.3)
Other discontinued operations						
Increase in provisions	**-**	**(6.4)**	**(6.4)**	-	-	-
Total loss from discontinued operations	**(1.3)**	**(1.9)**	**(3.2)**	(0.9)	(31.4)	(32.3)

A held for sale asset of £5.8m in relation to the EHD business has been recognised as at 31 October 2024, representing the fair value of the assets less costs to sell.

In the year to 31 October 2023, non-underlying items included a non-cash impairment of £31.2m (of which £20.5m related to the goodwill associated with the acquisition of the EHD business in 2009 and £10.7m related to other assets), site rationalisation costs of £1.7m and the amortisation of acquired intangibles of £0.7m.

5. EARNINGS PER SHARE

Earnings per share is based on the average number of shares in issue, excluding own shares held, of 272,875,033 (2023: 281,655,927).

Diluted earnings per share has been calculated using a diluted average number of shares in issue, excluding own shares held, of 279,133,292 (2023: 288,780,153).

The earnings used in the calculations of the various measures of earnings per share are as follows:

			2024			2023
	£m	**Basic EPS (Pence)**	**Diluted EPS (Pence)**	£m	Basic EPS (Pence)	Diluted EPS (Pence)
Underlying profit after tax	**54.0**	**19.8**	**19.3**	57.7	20.5	20.0
Non-underlying items	**(11.3)**			(20.0)		
Profit from continuing operations	**42.7**	**15.7**	**15.3**	37.7	13.4	13.1
Loss from discontinued operations	**(3.2)**	**(1.2)**	**(1.1)**	(32.3)	(11.5)	(11.2)
Total profit after tax	**39.5**	**14.5**	**14.2**	5.4	1.9	1.9

6. CASH GENERATED FROM OPERATING ACTIVITIES

	2024 £m	2023 £m
Operating profit from continuing operations	**58.1**	45.4
Amortisation of development costs	**1.3**	0.7
Amortisation of intangible assets arising from business combinations	**2.0**	3.0
Amortisation of patents and licenses	**0.3**	-
Impairment of development costs	**-**	15.6
Loss on disposal of non-current assets	**1.7**	-
Depreciation of property, plant and equipment	**21.0**	18.6
Non-underlying items	**11.0**	5.2
Share-based payment expense	**5.8**	4.4
Operating cash flows before movements in working capital	**101.2**	92.9
Increase in inventories	**(30.1)**	(18.2)
Increase in trade and other receivables	**(16.9)**	(18.7)
Increase in trade and other payables	**41.8**	23.7
Increase in provisions	**-**	0.3
Operating cash flow from continuing underlying operations	**96.0**	80.0
Discontinued operations:		
Operating cash flow from discontinued underlying operations	**(1.5)**	(0.8)
Cash impact of non-underlying items from discontinued operations	**(1.5)**	(1.9)
Net cash (outflow)/inflow from discontinued operating activities	**(3.0)**	(2.7)
Net cash (outflow)/inflow from discontinued operations	**(3.0)**	(2.7)

7. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2024 **£m**	2023 £m
Decrease in cash and cash equivalents	**(3.9)**	(13.7)
Decrease in debt and lease financing due to cash flows	**(26.6)**	8.8
Increase in net debt resulting from cash flows	**(30.5)**	(4.9)
Effect of foreign exchange rate changes	**(0.3)**	0.3
Acquired debt	**-**	(0.1)
New leases entered into, lease interest and other non-cash movements	**(7.2)**	(2.1)
Amortisation of debt finance costs	**(0.4)**	(0.4)
Movement in net debt	**(38.4)**	(7.2)
Net debt at beginning of the year	**(14.4)**	(7.2)
Net debt at end of the year	**(52.8)**	(14.4)

8. ANALYSIS OF NET DEBT

	As at 1 Nov 2023 £m	Cash flows £m	Non-cash changes £m	Exchange rate effects £m	**As at 31 Oct 2024 £m**
Cash and cash equivalents (including bank overdraft)	6.4	(3.9)	-	(0.5)	**2.0**
Debt due after one year	(14.1)	(29.1)	(0.6)	0.1	**(43.7)**
Preference shares	(0.1)	-	-	-	**(0.1)**
	(7.8)	(33.0)	(0.6)	(0.4)	**(41.8)**
Lease liabilities	(6.6)	2.5	(7.0)	0.1	**(11.0)**
	(14.4)	(30.5)	(7.6)	(0.3)	**(52.8)**

The Group's principal debt facilities comprise a £150m revolving credit facility up to December 2025, of which £130m has been extended to December 2026. The revolving credit facility was established in July 2021 with a syndicate of six banks. In addition the Group has a US$20m swingline overdraft facility, and in October 2024, the Group entered into a UK Export Finance Export Development Guarantee Facility led by Barclays PLC for up to £80m. This is a four-year, arm's length facility with a one-year draw down period and a three-year amortising repayment schedule. None of the borrowings in the current or the prior year were secured.

The Group had £157.4m (2023: £142.9m) of undrawn borrowing facilities as at 31 October 2024.

The Group is subject to two key financial covenants, which are tested quarterly. These covenants relate to the leverage ratio between "underlying EBITDA" and net debt, and the interest cover ratio between underlying EBITDA and finance costs. The calculation of these ratios involves the translation of non-sterling denominated debt using average, rather than closing, rates of exchange. Therefore the leverage ratio of 0.57 times differs to the ratio of 0.56 times that is disclosed elsewhere in the annual report and accounts, which is calculated using the closing rates of exchange. The Group was in compliance with the covenants throughout the year. The year-end leverage ratio was 0.57 times (covenant limit of 3 times) and the year-end interest cover ratio was 15.28 times (covenant floor of 4 times).

9. CASH AND CASH EQUIVALENTS

Bank balances and cash comprise cash held by the Group and short-term deposits with an original maturity of three months or less. The carrying amount of these assets approximates to their fair value. For the purposes of the statement of cash flows, cash and cash equivalents comprises cash at bank of £2.0m (2023: £6.4m). This differs to the balance sheet due to the inclusion of the bank borrowing within one year of £43.0m. Chemring has a UK Cash Pooling Arrangement ("CPA") which legally allows the netting of the borrowing due within one year against the UK cash balances and the CPA is an integral part of cash management.

10. DIVIDEND

At the Annual General Meeting on 23 February 2024 the shareholders approved a final dividend in respect of the year ended 31 October 2023 of 4.6p per ordinary share (year ended 31 October 2022: 3.8p). This was paid on 12 April 2024 to shareholders on the register on 22 March 2024 and totalled £12.5m (2023: £10.8m).

An interim dividend in respect of 2024 of 2.6p (2023: 2.3p) per ordinary share was paid on 6 September 2024 to shareholders on the register on 16 August 2024. The cash value of this dividend was £7.1m (2023: £6.5m).

The Board is recommending a final dividend in respect of the year to 31 October 2024 of 5.2p (2023: 4.6p) per ordinary share. The estimated cash value of this dividend is £14.5m. With the interim dividend of 2.6p per share (2023: 2.3p), this results in a total dividend of 7.8p (2023: 6.9p) per ordinary share. If approved, the final dividend will be paid on 11 April 2025 to shareholders on the register on 21 March 2025. In accordance with accounting standards, this final dividend has not been recorded as a liability as at 31 October 2024.

11. EXCHANGE RATES

The following exchange rates applied during the year:

	Average rate 2024	**Closing rate 2024**	Average rate 2023	Closing rate 2023
US dollar	**1.27**	**1.29**	1.24	1.21
AU dollar	**1.95**	**1.96**	1.91	1.92
Norwegian krone	**13.69**	**14.18**	13.10	13.56

For the year ended 31 October 2024 a 10% weakening of Sterling against the US dollar, AU dollar and Norwegian krone would have increased reported revenue by £22.8m (2023: £22.0m) and reported underlying operating profit by £1.3m (2023: £3.3m).

12. CONTINGENT LIABILITIES

The Group is, from time to time, party to legal proceedings and claims, and is involved in correspondence relating to potential claims, which arise in the ordinary course of business.

On 10 August 2018, an incident occurred at our Countermeasures facility in Salisbury. The Group responded to support those who were injured and all related claims by employees were settled under our employers' liability insurance. We also fully supported the UK Health and Safety Executive with its investigation. The business pleaded guilty to a breach of section 2(1) of the Health and Safety at Work Act 1974 in connection with the incident and on 27 June 2024 was fined £613,075. This matter is now closed.

13. EVENTS AFTER THE BALANCE SHEET DATE

There were no events after the balance sheet date that require disclosure.

14. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed. The directors of the Company had no material transactions with the Company during the year, other than in connection with their service agreements.

15. 2024 ANNUAL REPORT AND ACCOUNTS

The annual report and accounts for the year ended 31 October 2024 will be posted on the Company's website, www.chemring.com, on 17 December 2024 and a copy will be posted to shareholders, as required, in advance of the Company's Annual General Meeting on 26 February 2025.